

# Market and Benchmark Insight Report for Russia – 2021

Competitive benefit norms for mid-market employers in Russia

## Introduction

MAI CEE group was founded in Hungary in 1991, and for 30 years, has provided insurance solutions and employee benefits consulting across Eastern Europe, the Commonwealth of Independent States, and the Caucasus region. With steady growth, MAI CEE now provides insurance advice and services to the 29 countries in the region while having a physical presence in 25.

Today, MAI CEE is the leading insurance broker in the region and enjoys strong and long-lasting ties with its associate Partners. The company prides itself on delivering excellent service with the highest levels of integrity to its clients and partners.

It has specialist divisions to assist multinational businesses as brokers with specific expertise in employee benefits, construction and real estate, cyber, marine and logistics, and claims. MAI-CEE's employee benefits consulting services include:

- A separate Employee Benefits Department Personal Manager for each client
- Significant staff experience ranging from three to 20 plus years in employee benefits management
- Effective resolution of all disputed issues during the insurance period, contract follow-up support, and advocacy for clients' interests
- Complimentary review of clients' existing insurance coverage and recommendations to improve financial and medical efficiencies
- Ongoing contract review to maintain quality and ensure client satisfaction

MAI CEE is proud to be an Asinta Partner and hopes this document is of use to you.



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## 1. Russia Benefits Landscape

Employee benefits are important in Russia as they help recruit and retain employees and shape an employers' brand. They vary substantially based on a company's attraction and retention goals, culture, and industry.

Four other factors influence the definition of the benefits' design:

- Industry type
- Company origin
- Salary level
- Location

### 1.1 Industry Type

Benefits vary widely according to industry type. For example, high-tech, pharma, financial and professional services usually provide their employees with more generous benefits than others. We can offer sector-specific benchmarking and advice on appropriate benefit design.

### 1.2 Company origin

Almost 100% of international companies operating in Russia provide their employees with a variety of insurance coverage since most of them follow global standards. Large companies of Russian origin leading in their industries also follow the market in these matters to offer their employees competitive benefit packages. But smaller Russian employers are still not ready to provide their personnel with a wide range of benefits.

### 1.3 Salary Levels

Salary levels will impact benefit provision. Lower paid categories of employees (e.g., production site workers) may not have supplemental benefits or have those of relatively modest level (the cheapest clinics available under supplemental health insurance or only accident insurance with low sums insured when it comes to life coverage).

In lower-paid industries, typically, only senior managers are provided with supplemental employee benefits.

### 1.4 Location

The location of employees can influence benefit provision and salaries. Costs will be higher in Moscow, Saint-Petersburg, and, for example, in Novosibirsk then, let say in Samara or Voronezh.



## 2. Russia Benefits Menu

In recent years, the Russian health system has undergone several reforms to modernize its infrastructure and improve the quality of medical services. The process is still ongoing, and its results cannot be called uniform – in some subjects of the Russian Federation, the level of care within the state health system is relatively high with modern clinics and up-to-date equipment. In other regions the quality of medical services available for the public is not sufficient enough.

That is why in general, supplementary health insurance (SHI) in Russia is the most valued and popular employee benefit, and it seems that it will continue to be, along with life insurance solutions.

Insurance pension schemes are almost not in demand since they do not have tax relieves to become attractive for employers. A more popular way to organize a corporate pension plan (due to the number of tax incentives) is to place it in a non-state pension fund, but this scheme usually works without a broker's involvement.

The table below highlights the range of benefits typically available to Russian employees.



## 2.1 Mandatory Benefits

Benefit	Comments
<b>Compulsory Health Insurance (CHI)</b>	<p>Social taxes finances CHI. All citizens of Russia are eligible for this coverage, and CHI provides the following services:</p> <ul style="list-style-type: none"> <li>• Outpatient care</li> <li>• Hospitalization</li> <li>• General preventative and emergency care</li> <li>• Laboratory services</li> <li>• Rehabilitation</li> <li>• Transportation and ambulance</li> <li>• Dental care</li> <li>• Vaccination</li> <li>• Maternity care</li> <li>• Medical appliances</li> </ul> <p>A citizen finances any service that falls outside of the prescribed coverage. The state health system provides a wide range of hospitals and clinics throughout Russia. Sometimes state medical facilities are insufficient in terms of medical specialists or modern equipment (mainly in rural areas). That is why supplementary health insurance based on commercial clinics is so vital to Russian employees.</p>
<b>Mandatory Accident Insurance</b>	<p>Russia's social security system provides accident insurance that covers accidents at work and during working hours. The rate depends on the insurance risk scale. Employees who have an accident at work get a:</p> <ul style="list-style-type: none"> <li>• Temporary disability allowance based on 100% of their monthly salary</li> <li>• One-time or monthly insurance payments depending on the severity of an injury (determined by a state medical committee) and is not more than RUB 108,600.52 (for 2021), or €1,145</li> <li>• Payment of additional expenses for medical, social, and professional rehabilitation of an employee suffering direct consequences of the insured event (within the state health system)</li> </ul> <p>In the event of death, the indemnity payment is RUB 1,000,000.</p> <p>As state allowances mentioned above are not reasonably sufficient (especially for higher-paid industries/employees), it is common for employers to provide supplementary accident and life coverage.</p>
<b>Statutory Pension Insurance</b>	<p>Employers' contributions to the state pension fund (Pillar I) finances statutory pension insurance.</p>
<b>Statutory Leaves and Allowances</b>	<p>These benefits include annual leave, sick leave, maternity leave, parental leave, childbirth allowance, and a monthly allowance for children under 1.5 years of age.</p>
<b>Additional Days Off</b>	<p>According to the labor code, an employee receives additional days off if they work on weekends or public holidays or receive double-time payment.</p>



## 2.2 Supplementary Benefits

### 2.2.1 Supplementary Health (Medical) Insurance (SMI)

SMI in Russia duplicates and complements compulsory health insurance and allows employees to access higher quality and well-equipped clinics of choice. However, even SMI does not usually cover some serious illnesses such as cancer, transplantations, or some types of cardiac surgery.

The SMI plan usually covers all employees, but coverage levels often vary by seniority. Medical plans for executives are generally different and more sophisticated (for covered medical services and clinics) than ones for the central staff.

The group SMI plan can include dependents. Higher-end employers (especially from Tech, Pharma, IT sectors) usually pay 100% premium for 1-2 dependents per employee (spouse, children, and sometimes parents). In other cases, an employee may partially or fully fund dependent coverage.

A typical group medical plan includes:

- Outpatient care (at several clinics) with a full range of medical services in higher quality facilities
- Medical treatment at ophthalmologist (glasses/contact lenses are usually excluded)
- Dental care
- Ambulance services including urgent medical manipulations, fast diagnostic, and transportation to medical facilities
- Home visits by a doctor (when an insured person is too ill to visit the clinic)
- In-patient care in better quality facilities (emergency treatment and/or planned hospitalizations)
- Medical care when traveling over the territory of Russia
- 24-hour telephone access to medical assistance

Some plans typical of large, local employers may include:

- Free annual medical examinations (check-ups)
- Full pregnancy coverage
- Medicines
- Other services upon request

### 2.2.2 Life and Disability Insurance

All employees usually are included in a group life insurance plan, and employers typically fund 100% of it. The plans may cover group life (GL), accidental death, total permanent disability (TPD), injury benefits, and critical illnesses.

The GL sum insured is typically equal to one or two annual salaries, although some employers may provide a fixed sum per person. The TPD sum insured is ordinarily equal to the GL sum insured. Sickness benefits or hospitalization risk may also be covered.

Supplementary short-term sickness benefits are financed 100% by employers and normally increase the temporary disability allowance to 100% of salary. Multinational employers typically provide sickness benefits for up to two weeks per year.

The hospital cash benefit is a lump sum equal to a percentage ranging from 0.1% to 0.5% of the GL sum insured. It is usually paid when a hospitalization lasts not less than 5 days.

The TPD rider benefit is usually linked to the state's assessment of disability. A typical benefit structure is:

- 100% of the sum insured for group I
- From 70% to 80% of the sum insured for group II
- From 50% to 65% of the sum insured for group III



## 2.2.3 Personal Accident Insurance

Personal accident insurance in Russia covers accidental death, disability, and injury. The sum insured is typically equal to one or two annual salaries, although some employers may provide a fixed sum insured per person. The sums insured of death and disability risks are usually equal.

In the case of disability payments, link to the state assessment structure:

- 100% of the sum insured for group I
- 70% to 80% of the sum insured for group II
- 50% to 65% of the sum insured for group III

## 2.2.4 Retirement (Pension Plan)

The pension system in Russia has three pillars. Employees are eligible for a state-managed pension (Pillar I), which increases by the 'insured' portion and is paid for by social taxes.

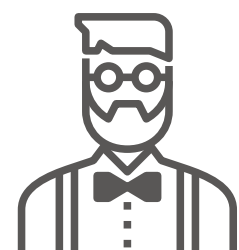
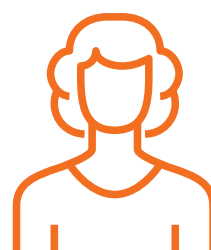
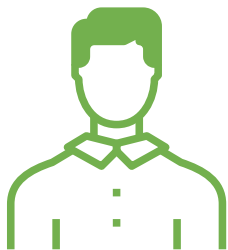
Pillar II underwent various reforms in recent years, which dampened growth prospects for this segment of funded pensions.

State pension levels are low, and currently, there is no obligation for employers to organize any supplementary/ corporate pension plan. Also, there are almost no tax incentives to make pension insurance attractive to employers. This is why the demand for corporate pension insurance schemes in Russia is insignificant, and while expected to grow, private, voluntary Pillar III pension schemes are still not typical.

Very few companies (usually large multinational companies) participate in such voluntary pension insurance schemes. Typically, membership in a pension scheme is restricted to senior employees. Still, some companies may provide coverage for other grades of staff depending on some factors (e.g., how long an employee is with a company, how good their performance is).

Employer contributions are variable and typically range between 3% and 5% of a total pensionable salary (higher for senior executives). The more generous plans range between 5% and 10% of a total pensionable salary.

Employee contributions are required in approximately 75% of plans and are typically equal to 2-3% of pensionable salary.





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## 2.3 Perks

In addition to the mandatory benefits, employers will often provide a range of perquisites to help recruit and retain employees. The following table includes the most common perks in Russia.

Benefit	Comments
<b>Mobile phones</b>	Mobile phones are a prevalent benefit. The majority (97%) of multinational companies provide mobile phones to all employees for business and private use.
<b>Meal vouchers</b>	Meal vouchers are a widespread benefit. More than 70% of multinational companies provide meal allowance for employees. The typical monthly meal allowance/voucher amount is RUB 5,000 – 6,000 in Moscow and RUB 3,000–4,000 in other regions.
<b>Company car</b>	Most companies (more than 80%) provide a company car to some or all executives and senior managers for business and personal travel. The choice of company car varies by personnel categories. More companies with company car policies tend to let employees choose between a company car or car allowance because it is easier to administer and more flexible.
<b>Education</b>	Most multinational companies (more than 90%) provide training and education; a third of employers cover expenses for an MBA.
<b>Transportation</b>	A scheduled corporate transport is usually provided to employees to get to and from work if a company office is far from the metro or a train station.
<b>Gym memberships</b>	It is common practice to offer employees a gym membership, especially for companies with an average employee age under 30 years old. Such companies sometimes prefer the benefits of a gym membership to group health insurance.
<b>Service awards</b>	About one-quarter of companies provide jubilee awards at important birthdays. Some employers also give retirement awards, and a third give some service awards, for example, for employees who have worked in the company for more than a certain period (e.g., 20 years).
<b>Bonus schemes</b>	It is a widespread practice to pay bonuses at the end of a reporting period to those employees who achieved relevant KPI. Payments usually occur once a year, but some companies choose to pay quarterly or semi-annual bonuses.
<b>Less common benefits provided by higher-end employers</b>	
<b>Employee Assistance Programs (EAP)</b>	EAP is provided for the whole company only by higher-end employers. Usually, EAP consists of psychological support for employees who work under stressful conditions (e.g., call-centers) or at company sites with work process organization problems (e.g., absenteeism).
<b>Employee loans</b>	Some organizations provide employee loans, the majority of which are for emergency, housing, or education.
<b>Company-provided housing or allowances</b>	Usually, multinationals provide housing allowances to relocated employees; the amount varies by employee. Some employers (especially in the IT sector) reimburse rents to valuable employees.
<b>Additional days of annual leave</b>	Holiday allowance in Russia is calculated based on an average income for the previous 12 months. The typical duration of annual leave is 28 calendar days. Some employers may grant all their employees extra days off (on average – not more than 10 days) if they achieved significant success in the reporting period.

When designing your benefits, you need to consider your sector, employee census data, and objectives. As advisors, we can help you choose benefits that work for you and are within your budget.



## 3. Insured Benefits – Design and Typical Costs

The most popular insured employee benefits in Russia and typical levels of cover are outlined below.

Benefit	Comment/Cost	Lower Quartiles Approach	Medium Quartile Approach	Upper Quartile Approach
<b>Health (Medical) Insurance</b>	Group health insurance complements the state system and provides access to quality care more quickly. (see section 2.2 for more details)	Only employees are covered.	Family members (spouse and children) can also be covered but at the employee's expense (partially or in full).	All staff and dependents are covered at the employer's expense.
<b>Life &amp; Disability Insurance</b>	All employees usually are included in a group life insurance plan, and employers typically fund 100% of it. (see section 2.2 for more details)	Only senior staff covered. Sum insured equal to 1 annual salary.	All staff covered. Sum insured equal to 1 annual salary.	All staff covered. Sum insured equal to 2 annual salaries.
<b>Personal Accident</b>	Covers accidental death, disability, and injury. The sum insured is typically equal to one or two annual salaries, although some employers may provide a fixed sum insured per person. (see section 2.2 for more details)	Only senior staff and employees with the most hazardous jobs are covered. Sums insured are usually fixed and lower than one annual salary per person.	All staff is covered. Sums insured are usually equal to one annual salary.	All staff covered. Sums insured are equal to two annual salaries.
<b>Retirement (Pension Plan)</b>	Currently, there are no obligations for employers to organize any supplementary retirement plans. Large multinational companies may offer one to senior employees.	Contribution equals 1% or 2% of each employee's salary.	Contribution from 3% to 5% of each employee's salary.	Contribution is from 5% to 10% of each employee's salary.
<b>Locally Placed Travel Insurance</b>	Local Travel insurance policies are usually issued covering medical expenses within multiple trips abroad (duration of each trip must not exceed 90 days). These policies often go as a bonus to Medical insurance coverage. As this coverage is obligatory to apply for any visa abroad, it is in high demand for clients.			
<b>Business Travel Insurance</b>	Usually goes as a part of globally arranged coverage by a client's HQ. The coverage needs to be locally admitted, and that is why local BTI contracts are signed.			



## 4. Setting Up Policies

The following outlines how policies need to be set up in Russia and possible restrictions that could apply.

### 4.1 Medical Insurance

- Definition of the plan's design – selection of risks covered (outpatient, in-hospital, dental, and other secondary supplemental covers); number and location of people eligible for coverage; whether the hierarchical approach is applied to insurance plans (more extended coverage/better clinics for senior management; standard plans for others).
- Usually, quotes are available for a group of 5 employees. Only standard options and conditions are available for a group of 5–10 people, and there is almost no selection of carriers.
- It is possible to get a tailor-made plan for over 20 lives.
- Paperwork
  - The employer must complete a specific Excel sheet provided by the insurance company with the list of employees' data (and dependents, if applicable).
  - For groups of less than 10 people, employees may be requested to complete and sign a specific form with their personal data and a health questionnaire.
  - All contractual documentation prepared by an insurance company based on employees (dependents) data is signed both by an employer and an insurer

### 4.2 Life & Disability Insurance

- Definition of the plan's design – selection of risks covered (death, disability, accidental death, accidental disability, injury, other secondary supplemental covers), sum insured per person (multiple salary), and eligibility.
- Quotes are available for a group of 3 employees.
- Paperwork
  - The employer must complete a specific Excel sheet provided by the insurance company with the list of employees' data.

- Those employees with high sums insured (more than USD 100,000) must complete and sign a health questionnaire and sometimes undergo medical check-up (depends on an insurer's decision).
- Employees may complete and sign a specific form with the identification of their beneficiaries – it is not obligatory.

### 4.3 Personal Accident

- Definition of the plan's design – selection of covers (accidental death, accidental disability, injury), sum insured per person, a multiple of salary, and eligibility.
- Quotes are available for a group of 3 employees.
- Paperwork
  - The employer must complete a specific Excel sheet provided by the insurance company with the list of employees' data.
  - Those employees with high sums insured (more than USD 100,000) may be requested to submit proof of financial income certified by an employer (depends on an insurer's decision).
  - Employees may complete and sign a specific form with the identification of their beneficiaries – it is not obligatory.

### 4.4 Pension Plan

- Definition of the plan's design – the amount of the contribution (a percentage of salary), eligibility, vesting, and tax regime.
- Paperwork
  - The employer must complete and sign a specific form.
  - Employees must complete and sign a specific form with their personal data and identify their beneficiaries in case of death.
  - Under some circumstances, to be assessed case by case, the fulfillment of the forms by the employees can be waived.





## 5. Onboarding and Policy Administration

### Onboarding

In Russia, in most cases, an employer decides the design and structure of corporate insurance coverage. Employees are assigned to the programs that the employer has chosen for them. However, in recent years, flexible benefits have become more popular.

We can support the following approach to meet clients' employee communication needs:

- Staff presentations (including those with the presence of insurance company doctors to comment on all specific medical questions employees may have)
- Selection of insurance companies with portals/ personal accounts allowing employees to have secure access to benefits data and learn how to use the benefit (particularly when it comes to medical insurance or life coverage)

### Policy Administration

As advisers, we provide full policy administration support. The following services are provided to our clients daily.

- Experienced brokers for administrative support
- Control over timely adjustments to the list of insured people
- Support in disputable claims with an insurer (including getting a second opinion from an independent medical expert in complex cases) to protect client's interests
- Dynamic analysis of loss statistics within the contract, provide recommendations to the client
- Meetings with the client (online or in-person) regularly to discuss current issues.

## 6. Adviser Remuneration

Commission payable on insured policies is the typical market practice, but we will be happy to discuss a different fee structure with a client whenever required.

When looking at fees, we consider:

- Group size
- Time required to set up any new policies
- The total number of policies to manage
- Time required to administer the policies
- Frequency of pre-determined face-to-face client meetings and conference calls
- Whether there is the need to assist your employees directly

## 7. MAI CEE Contact



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